Supreme Court, U.S.
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No. 96-___

In The

Supreme Court of the United States

October Term, 1996

PHILLIP OINESS AND SUN PRODUCTS GROUP, INC.,

Petitioners,

v.

WALGREEN COMPANY, ATICO INTERNATIONAL, INCORPORATED, f/k/a J & M ENTERPRISES, d/b/a ATICO, NEW ATICO INTERNATIONAL, LTD., d/b/a NEW ATICO, a/k/a ATICO,

Respondents.

Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether the Court of Appeals for the Federal Circuit violated the re-examination clause of the Seventh Amendment and this Court's decision in *Gasparini v. Center for Humanities, Inc.* by re-examining the basis of a jury damage verdict it deemed excessive and by failing to apply an abuse of discretion standard.

2. Whether the Court of Appeals for the Federal Circuit is engaged in an unconstitutional pattern of re-examining jury cases *de novo* without giving any real deference to the jury or the Article III judge which has the role of determining facts and reviewing those factual determinations, thereby improperly turning the Court of Appeals for the Federal Circuit into the *de facto* trial court for patent cases.

3. Whether the Court of Appeals for the Federal Circuit, in refusing to apply the law of the Tenth Circuit, on the standard of review and the sufficiency of evidence for jury damage determinations, has exceeded the scope of its limited subject matter review authority.

4. Whether the procedure used by the Court of Appeals for the Federal Circuit to review jury verdicts is fundamentally flawed because of a failure to follow this Court's decisions, by conducting *de novo* fact re-examinations of jury verdicts, by misstating evidence, by failing to accord deference to the fact determinations of the jury, by failing to accord deference to the evidence review decision of the trial court, by making arbitrary independent fact findings without a complete record, and by making a decision inconsistent with its own prior decision on the same case.

PARTIES TO THE PROCEEDING BELOW

The parties named in the caption are the only parties to this action.

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PETITION FOR WRIT OF CERTIORARI

Petitioners hereby request this Court issue a writ of certiorari to review a judgment of the United States Court of Appeals for the Federal Circuit entered July 2, 1996.

OPINIONS BELOW

The decision of the Federal Circuit Court of Appeals below, entitled *Phillip Oiness and Sun Products Group, Inc. v. Walgreen Company, Atico International Incorporated, f/k/a J & M Enterprises, d/b/a Atico, New Atico International, Ltd. d/b/a New Atico, a/k/a Atico,* is reported at 88 F.3d 1025 (Fed. Cir. 1996). The decision of the United States District Court for the District of Colorado entitled *Phillip Oiness and Sun Products Group, Inc. v. Walgreen Company, Atico International incorporated, f/k/a J & M Enterprises, d/b/a Atico, New Atico International, Ltd. d/b/a New Atico, a/k/a Atico* was not published.

JURISDICTION

The judgment sought to be reviewed was entered on July 2, 1996. A petition for rehearing and suggestion for rehearing en banc was denied by the United States Court of Appeals for the Federal Circuit ("Federal Circuit") on October 1, 1996.

Jurisdiction exists for a review of the judgment of the United States Court of Appeals for the Federal Circuit

under 28 U.S.C. § 1254(1). The District Court below had jurisdiction premised upon, *inter alia*, 28 U.S.C. § 1338(a).

CONSTITUTIONAL PROVISIONS AND STATUTES CITED

Article I, Section 8 of the United States Constitution:

> The Congress shall have the power . . . . to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

Seventh Amendment to the United States Constitution:

> In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.

STATEMENT OF THE CASE

A. General Background

This case began on April 25, 1990 when Phillip Oiness and Sun Products Group, Inc. (collectively "Petitioners") charged Walgreen Company along with Atico International, Inc. and New Atico International, Ltd (collectively "Respondents") with, *inter alia*, infringement of U.S. Patent No. 4,544,203 (the " '203 patent") for a small folding "headchair" designed for use while reclining, for example, at the beach, the park, and elsewhere.

B. Proceedings Below

A two week trial began on April 8, 1991 after which the jury found the '203 patent to be valid and wilfully infringed by the defendants. That jury awarded $50,000 in damages for lost profits in the retail market and $250,000 in damages for lost profits in the premium market. See *Oiness v. Walgreen Co.*, 774 F.Supp. 1277 (D.Colo. 1991), *aff'd in part*, 980 F.2d 742 (Fed. Cir. 1992) *cert. denied*, 113 S.Ct. 1849 (1993).

On the first appeal, the Federal Circuit affirmed the liability finding but remanded for a new trial on lost profit damages noting that the Petitioners' "witnesses testified to over $5 million in retail damages, over $16 million in premium product damages, and $500,000 in advertising specialty damages, for a total of over $22 million. Walgreen's witness admitted that injury to the advertising specialty market alone ranged from $250,000 to $500,000." 980 F.2d at 741. On that record the court found no substantial evidence supporting the jury's damage award of $300,000 and concluded that the jury instructions may have been confusing. A 21-22.

A new jury trial solely on the issue of damages began on October 11, 1994. On October 18, 1994 the jury awarded damages of $1,101,240 as lost profits in the retail sales market, $1,400,000 as lost projected profits in the retail sales market, $750,000 as lost projected profits in the premium incentive market, and $8,000,000 as lost projected profits in the advertising specialty market for total damages of $11,251,240. A 50. A Judgment on that verdict was entered on October 20, 1996. A 47.

On December 6, 1994, in a sixteen page decision, the District Court denied the Respondent's Motion for New Trial in View of Incorrect Jury Instruction, Motion for Remittitur or in the Alternative for New Trial for Lost Profits, and Motion for Renewal of Judgment as a Matter of Law or in the alternative, Remittitur or a New Trial for Lost Projected Profits. The District Court also denied Petitioners' Motion for Increased Damages and Prejudgment Interest Rate, A 27.

On July 2, 1996 the Federal Circuit reversed the jury verdicts on damages but remanded for retrial only on the issue of actual damages because the jury award exceeded Walgreen's sales, with a suggestion for remittitur in the amount of $220,567. Verdicts for damages for lost profits in the retail market, the premium market and the advertising specialty market were simply reversed, A 1. Respondents took the position, recently adopted by the District Court, that no re-trial was possible on the issue of damages for projected lost profits because "The Federal Circuit specifically reversed the jury award of projected lost profits . . . " A 52.

C. The Decision of the Federal Circuit Court of Appeals

The Federal Circuit remanded for a new trial on actual damages, A 10, but "reversed the jury award" on "projected lost profits," A 14, 15, 17. On actual damages the Federal Circuit claimed to be reviewing "for an abuse of discretion the decision denying a grant of remittitur or a new trial because of an excessive damage award." A 5.

However, there is no mention in the opinion of the District Court's review of the evidence or the basis for its denial of Respondents' motions. Also absent is any finding that the District Court abused its discretion in any way on this point.[1] Instead the Federal Circuit usurps the function of the jury and the power of the Article III district judge to determine and review the facts, subject only to a review for abuse of discretion.

While agreeing that "[t]he measurement of actual damages for patent infringement is a question of fact," A 6, and finding that "the district court properly instructed the jury . . . " A 7, the Federal Circuit immediately proceeded to re-examine *de novo* those facts decided by the jury. In addition to improperly re-examining facts found by the jury, the Federal Circuit also grossly misstated the facts in the case which then were used to justify reversal of the verdicts. The Federal Circuit based its action on re-examined *faux* facts.

At every point in its review of the verdict the Federal Circuit was reexamining evidence according to its own point of view, never once mentioning the District Court's review of the evidence and without giving any deference either to the jury or to the trial judge's findings and determinations. Instead the Federal Circuit mischaracterized evidence, selectively criticized evidence, ignored

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[1] However, the Federal Circuit did make a clear finding of abuse of discretion of the District Court on another matter, not the subject of this petition, namely the award of prejudgment interest on the entire judgment. A 17.

evidence which supported the jury's and the judge's findings and at all points determined the credibility of evidence, expressing their value judgment using such words and phrases as: "credible," "reliable," "suspect," "sound reasoning," "most accurate," "shows conclusively," "calls into question," and "distort." The Federal Circuit additionally interjected its own curious position on economic demand into its independent analysis and itself speculated what other "market forces" "may have" or "might have" done, in an effort to justify their reversal of the jury's findings on damages. This is a gross ursupation of the jury's function to find and weigh evidence and violates Petitioner's constitutional right to a jury trial and is a blatant example of a recent pattern of the Federal Circuit in re-examining facts in jury cases.

The Federal Circuit weighed evidence to determine what was credible, reliable and accurate in its own view. The Federal Circuit claimed that "[t]he record *shows conclusively* that Walgreen sold 142,230 Headrests in the retail market," A 8, and that a Walgreen witness "presented *unrebutted* testimony that [the records they presented] were the *most accurate* method to determine the number of Headrests Walgreen had available for sale" and was "the most *reliable* record" A 9. This fact finding ignored the contrary testimony of several witnesses and two experts, including Walgreen's own retailing expert. Aside from the process of weighing evidence as shown in these examples, the Federal Circuit was incorrect on every stated point. Evidence the Federal Circuit relied upon was not in the record or was wrenched out of context. Evidence it claimed was not presented was actually presented, evidence which it claimed was unrebutted

was entirely in conflict with other evidence. An appellate determination of what evidence is "reliable," "most accurate," "conclusive," or "unrebutted," is an unconstitutional re-examination of facts.

The Federal Circuit, for example, improperly and incorrectly determined the record to be "without proof that every store sold Headrests," "no assessment . . . of whether Headrest sales fell above or below established square foot sales average[s]", claimed that only three pictures were shown to establish sales, A 7, that no evidence was presented of "actual sales combined with *reliable* economic analysis of demand, supply, and price over time", A 8, and claimed to base their decision on the Petitioners' "utter failure . . . to present proof of lost profits," A 9. All these assertions of what the evidence did not show were simply contrary to the evidence. However, the Federal Circuit either misunderstood or most likely disregarded the record evidence.

In simply "revers[ing] the jury award for projected lost profits in the retail, advertising specialty, and premium markets," A 14, the Federal Circuit did not discuss the proper standard of review or once mention the review of the evidence by the District Court and the decisions on the Respondents' motions. The Federal Circuit simply reexamined the evidence and made findings which were not only inaccurate but also required improper credibility and weight determinations.

First the Federal Circuit reviewed the testimony of MacLachlan, Petitioners' expert in the retail market. The Federal Circuit incorrectly found that he "admitted that

he found very little sales history to support his projections," and that he had used "a *'mere'* 450% increase in future sales for several years, with another reduction to 150% growth near the end of the patent term," A 12. This "finding" was the result of an egregiously false conclusion about the testimony of MacLachlan, an eminently known and respected expert in the retail marketing discipline, and in absolute contradiction to an exhibit summarizing growth patterns to which he testified. Either the real evidence was intentionally ignored or it was completely misunderstood. The Federal Circuit decided that "MacLachlan's entire *premise is flawed.*" Then the Federal Circuit introduced into the case its own unsupported and completely absurd evidence, an alleged "economic axiom that demand curves slope downward" which it said *"calls into question* the doubling of demand for a product year after year." The Federal Circuit then decided that "MacLachlan offered *no sound economic reasoning* to support his assumption that Headchair sales would quadruple and double throughout the life of the patent." A 13. This assertion was absurd since there was not one iota of such testimony of doubling or quadrupling of demand year after year. Instead MacLachlan testified to a 10% growth rate shortly after product introduction, steadily declining to nothing by the end of the patent term. The Federal Circuit then said that "MacLachlan's *assumption is also flawed* because he had no evidence to show" actual sales to customers rather than simply initial sales languishing on store shelves. The Federal Circuit arbitrarily ignored testimony of other witnesses concerning that very matter, making selective weight judgments about testimony. The Federal Circuit continued its interpretation and weighing

of evidence in deciding that the Petitioners had not shown *"reliable"* pre- infringement or post-infringement growth rates and that initial figures *"distort* MacLachlan's . . . projections," A 13. Then the Federal Circuit discussed what they thought MacLachlan did not do and claimed incorrectly that he relied on *"personal conjecture"* about the employment of manufacturers representatives and trade show attendance. Finding that MacLachlan's testimony relied on *"faulty assumptions"* and lack of *"reliable* economic testimony," his testimony was rejected entirely and the verdict was simply reversed by labeling it "speculative."

The Federal Circuit then reviewed the credibility of Petitioners' expert in the advertising specialty market, Holt, a uniquely qualified expert in the field, claiming incorrectly that "Holt admitted that he did not take into account" the previous infringement by another party, B&E Sales. In fact, Holt clearly testified as to his specific consideration of B&E's influence. The Federal Circuit then asserted "[t]his oversight . . . *fatal* to Holt's predictions. . . . *his projections . . . are suspect.*" A 14. The Federal Circuit went on to speculate that "other market forces," rather than Walgreen's proven wilful infringement, *"might"* have forced a decline in Headchair prices, A 15. Finally, the Federal Circuit incorrectly claimed that Petitioners did not show an "established business in the advertising specialty market or a reliable basis for Holt's predictions . . . " In doing so the Federal Circuit disregarded the substantial testimony of an established advertising specialty business testified to by several witnesses, confirmed by countless samples presented to the jury

(color photographs of which were even part of the appellate record) and confirmed by Holt's review of Petitioners' specific dealings with, among others, the largest distributors in the industry. There was no acknowledgment by the Federal Circuit of other testimony on this market or to the District Court's review of the evidence. Thus weighing, sifting and disregarding of evidence was used as the sole basis for reversing the jury verdict in this market.

The Federal Circuit also assessed the credibility of Petitioners' expert in the premium incentive market, Kling, in reversing the jury verdict in this market. The Federal Circuit again incorrectly claimed that Kling did not factor B&E into his calculations, A 16. Then the Federal Circuit mischaractized testimony about a particular premium customer (Carnation) to claim that evidence did not show a link between Walgreen's infringement and price decreases which destroyed the premium market, A 16. The Federal Circuit failed to acknowledge other far more detailed and relevant evidence presented on the issue but then speculated that "other market forces *may also have caused* the decreases," A 17. Claiming there was no "*credible* economic *testimony*" the Federal Circuit reversed the jury verdict in this market also.

REASONS FOR GRANTING THE WRIT

I.

The Decision below Directly Conflicts with this Court's Decision in *Gasparini v. Center for Humanities, Inc.* on the Appellate Review Process and the Standard of Review for Jury Damage Verdicts and Violates the Seventh Amendment's Prohibition on Appellate Court Re-examination of Facts Determined by a Jury and a Writ of Certiorari Is Necessary to Correct this Error.

Gasparini v. Center for Humanities, Inc., 116 S.Ct. 2211 (1996) held that the Seventh Amendment re-examination clause permitted a court of appeals to review an allegedly excessive verdict but only by applying an abuse of discretion standard to the district court's determination of that matter. Because "[t]rial judges have the 'unique opportunity to consider the evidence in the living courtroom context' . . . while appellate judges see only the 'cold paper record' . . . appellate review . . . when . . . excessiveness is asserted on appeal [the appellate standard would be] abuse of discretion. . . . 'If we reverse, it must be because of an abuse of discretion. . . . The very nature of the problem counsels restraint. . . . We must give the benefit of every doubt to the judgment of the trial judge.' " [Citations omitted] *Id.* at 2225. Prior to this decision the Court had not expressly held that the Seventh Amendment allows appellate review of a district court's denial of a motion to set aside an award as excessive. *Id.* at 2223. Thus, an appellate court may review an allegedly excessive verdict but may not make a *de novo* review of the evidence and may not weigh the evidence. Instead, the appellate court may only determine if the

district court abused its discretion in approving the verdict.

In reviewing a denial of a motion to set aside a verdict for abuse of discretion standard the appellate court is constrained by the Seventh Amendment and may not routinely re-examine facts tried by a jury. *Byrd v. Blue Ridge Rural Elec. Cooperative, Inc.*, 356 U.S. 525, 537, 78 S.Ct. 893, 901, 2 L.Ed.2d 953 (1958) discussed the distribution of "trial functions between judge and jury and, under the influence – if not the command – of the Seventh Amendment, [which] assigns the decisions of disputed questions of fact to the jury." *Gasparini* held that the Seventh Amendment "also controls the allocation of [appellate] authority to review verdicts." 116 S.Ct. at 2222.

As explained by *Gasparini*, the Seventh Amendment does not permit an appellate court to review a jury damage award by examining and weighing evidence. It may only review for abuse of discretion a trial court's review of the verdict. Here, the Federal Circuit departed from this limitation and instead made an examination of the evidence, deciding what was credible, reliable, questionable, or conclusively proven. It even speculated on what "might" have been and asserted its own erroneous economic theory. This cannot be done by an an appellate court without great violence to the Seventh Amendment's re-examination clause.

The district court determined that substantial evidence to support the damages awarded was presented from which a reasonable jury could have rendered the verdict reached by the jury, citing *Brooktree Corp. v.*

Advanced Micro Devices, Inc., 977 F.2d 1555, 1569 (Fed. Cir. 1994), and determined that the Respondents "failed to show that on the entirety of the record reasonable persons could not have found the facts necessary to support the jury's verdict," A 45. The District Court reviewed the evidence in the light most favorable to the non-moving party, *Kearns v. Chrysler Corp*, 32 F.3d 1541, 1548 (Fed. Cir. 1994). The District Court found "[t]he jury's award was not grossly excessive, monstrous or based only upon speculation or guesswork." Instead the district court found that "[p]laintiffs presented evidence on every aspect of the damages they believe they suffered and the jury returned a verdict for an amount less than the amount which Plaintiff requested," A 45.

If the limits of *Gasparini* are not applied to the Federal Circuit, it will re-examine facts and recast them in a way which supports its own philosophical or biased position on the amount of damages. Such a result cannot be permitted. It is too easy for advocates to mislead an appellate court into error if it has sweeping power to re-examine and re-determine weight and credibility of evidence. This also strikes at the heart of the jury's power to determine facts and set damage amounts, an important safeguard provided by our founding fathers.

II.

The Decision below Is Part of a Pattern of Cases in Which the Federal Circuit Has Abandoned Established Rules and Procedures for Review of Jury Verdicts and Has Taken upon Itself the Role of Trier of Fact and a Writ of Certiorari Is Necessary to Correct this Error.

This is not the only case where the Federal Circuit engages in improper fact re-examination and does not afford jury verdicts any deference on matters of fact much less the "substantial deference" it previously said should be afforded. Near the time of its inception, the Federal Circuit gave proper deference to jury verdicts and applied the correct standard of review. Citing this Court's language in *Lavender v. Kurn*, 327 U.S. 645, 653, 66 S.Ct. 740, 744, 90 L.Ed. 916 (1946), the Federal Circuit noted that:

> But where, as here, there is an evidentiary basis for the jury's verdict, the jury is free to discard or disbelieve whatever facts are inconsistent with its conclusion. And the appellate court's function is exhausted when that evidentiary basis becomes apparent, it being immaterial that the court might draw a contrary inference or feel that another conclusion is more reasonable.

Verdegaal Bros., Inc. v. Union Oil Co. of California, 814 F.2d 628, 631 (Fed. Cir. 1987).

The Federal Circuit has since departed from the established and correct standards of review of jury verdicts. The departure was noted by Judge Newman in her dissent in *Malta v. Schulmerich Carillons, Inc.*, (Newman, dissenting) 952 F.2d 1331, 1334 (Fed. Cir. 1991). Judge Newman warned that the proper role of the court was to

determine only "whether there is evidence upon which the jury could properly return a verdict" and warned that in that case "the panel majority has ignored much of the evidence that was presented at trial." *Id.* Judge Newman reminded the Federal Circuit that issues depending upon the weight and probative value of the evidence were to be determined by the jury and that the role of the appellate court was not to conduct a trial *de novo.* She saw the appellate court behaving hostilely towards a record in *Malta* saying it would be a

> "misunderstanding of our appellate role for this court to determine what is supported by the evidence as a whole. . . . When the relationship between trial and appellate tribunals is distorted, the consequences dis-serve the public and the courts: 'The principal consequences of broadening appellate review are two. Such a course impairs the confidence of litigants and the public in the decisions of the trial courts, and it multiplies the number of appeals.' C. Wright, *The Doubtful Omniscience of Appellate Courts*, 41 Minn.L.Rev. 751, 779 (1957)." *Id.* at 1332.

Patent litigants only may appeal to the Federal Circuit; there is no other court to which they may directly go. The number of jury verdict reversals . . . and the accompanying improper *de novo* factual analysis conducted by the Federal Circuit, has made the trial of a patent infringement matter only a "tryout on the road" and not the "main event" contrary to the Court's statement to the contrary in *Anderson v. City of Bessemer City*, 470 U.S. 564, 574-75, 105 S.Ct. 1504, 1511-12, 84 L.Ed.2d 518 (1985). Patent litigants who have prevailed at trial

now understand that the process is not over, and that beyond a review for *legal error*, the Federal Circuit will retry the facts as it sees fit as was done in the instant case.

Since its course change, the Federal Circuit has shown itself hostile towards other records upon its *de novo* factual review. Ignoring Judge Newman's warning, the Federal Circuit in 1992 laid out their approach to reviewing jury verdicts for "substantial evidence." It announced in *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 821 (Fed. Cir. 1992)

> A finding of fact must stand unless appellant shows that on the *entirety of the evidence* of record, *including that which detracts from the weight of the favorable evidence*, and taking into account the required quantum of proof, no reasonable juror could have made the finding. [Emphasis supplied.]

Three distinct problems exist with this radical approach; First, the Federal Circuit is improperly looking at the *weight* of the evidence. Second, it looks for *that which detracts from the weight* of the evidence, instead of looking at the evidence "in the light most favorable to the [appellee,] drawing reasonable inference favorable to the [appellee,] without determining credibility of witnesses, and without substituting [its] choice for that of the jury between conflicting elements in the evidence," as previously enunciated by the Federal Circuit in *Dana Corp. v. IPC Ltd. Partnership*, 860 F.2d 415, 417 (Fed. Cir. 1988), cert. denied, 490 U.S. 1067, 109 S.Ct. 2068, 104 L.Ed.2d 633 (1989). Third, as will be discussed *infra*, the Federal Circuit can only pretend to review the *entirety of the evidence* because it actually prohibits the appellee from presenting the *entirety of the evidence*.

Other recent appellate abuses resulting from the Federal Circuit's departure from established standards may be seen in such cases as *Baxter Healthcare Corp. v. Spectramed, Inc.*, 49 F.3d 1575, 1583 (Fed. Cir. 1995) where the court states that "the 'substantial evidence' standard requires us to *decide for ourselves* whether *reasonable* jurors viewing the *evidence as a whole* could have found the facts needed to support the verdict . . . " (emphasis supplied). This shows the Federal Circuit's intention to be the ultimate trier of fact.

In *Imagineering, Inc. v. Van Klassens, Inc.*, 53 F.3d 1260, 1263 (Fed. Cir. 1995), the jury court found against the defendant on wilful trade dress infringement, false advertising, and unfair competition. The jury awarded $860,000 in compensatory damages, and $4 million in punitive damages. On appeal, the Federal Circuit re-weighed the evidence the jury had considered in determining the punitive award. After considering the evidence, the Federal Circuit bypassed the jury's determination and concluded that the damage award was excessive: "[t]his amount exceeds a reasonable relationship to Imagineering's injury." *Id.* Additionally, after re-examining the evidence, the Federal Circuit voided the jury's determination of the degree of malice exercised by the defendant, and substituted its own opinion: "[f]urthermore, while the record supported a finding of bad faith against [defendant], the evidence hardly justified a finding of conduct so malicious as to warrant increasing damages more than 400%." *Id.* In re-formulating the jury's verdict, the Federal Circuit never discussed whether the trial judge had abused his discretion by approving the award. Instead, the Federal Circuit ignored

the trial judge's decision and merely substituted its own factual determination for that of the jury's.

In *Modine Mfg. Co. v. Allen, Inc.*, 917 F.2d 538, 540 (Fed. Cir. 1990), a jury found Allen had willfully infringed a patent and awarded Modine $55,634,153. Allen moved for JNOV or a new trial based on excessive damages. The district court denied the motion for JNOV, but ordered a remittitur for $14,000,000 which Modine accepted.

The Federal Circuit ignored the judge's denial of the motion for JNOV and claimed for itself the right to examine the evidence *de novo, Id.* at 541 (*citing Verdegaal Bros., Inc. v. Union Oil Co.*, 814 F.2d 628, 631 (Fed. Cir.), *cert. denied*, 484 U.S. 827, 108 S.Ct. 95, 98 L.Ed.2d 56 (1987). The Federal Circuit then directly re-examined the evidence claiming to be looking for substantial evidence. "Our review of a denial of JNOV is limited to whether the jury's factual determinations were supported by substantial evidence and, if they were, whether 'those findings cannot support the legal conclusions which necessarily were drawn by the jury in forming its verdict.' " *Id.*

While not a jury case, *In re Beattie*, 974 F.2d 1309 (Fed. Cir. 1992) illustrates the tendency of the Federal Circuit to ignore and recast facts as it suits them. Dissenting Judge Clevenger noted at 1315 that "[T]he majority simply avoids the factual evidence in the record . . . Rather than come to grips with the factual support the declarations provide for the proposition . . . the majority simply dismisses the declarations in their entirety . . . "

It is unfair and unworkable to require an appellee to re-prove its case to the Federal Circuit under this

improper review standard for several reasons. First, the appellee should have no burden of persuasion on appeal. Second, the forum is not amenable to re-proving a case; and third, the Federal Circuit will only allow specific record portions, requiring that each page of the record included in the appendix have a specific reference in the brief and that no block cites to the record be made. Given the limited record inherent in the review procedure, it is no wonder that the Federal Circuit can form a different opinion of the record than the trial judge who was present throughout the proceedings. It is small wonder that the Federal Circuit can so severely misapprehend the evidence.

The Federal Circuit must be instructed on the deference to be given jury determinations so that litigants do not have to prove their case and their damages twice, once to the jury, and then again to the appeals court, or even repeatedly to the appeals court. Apparently, the Federal Circuit is no longer clear on this issue and its review for "substantial evidence" is no longer the same standard set by this Court nor is the Federal Circuit applying any standard evenly or consistently.

In this case, the Federal Circuit found all projected lost profits speculative but only after it re-examined facts found by the jury and consciously and deliberately determined to disregard the evidence supporting damages. This conclusion was based not upon a finding that Petitioners had not, as a matter of law, proved himself entitled to projected lost profits in any amount. Rather, the Federal Circuit only disagreed with the figures presented

and concluded that the damages presented were speculative but only after it re-examined the weight and credibility of Petitioners' evidence and then decided to disregard it. The Court did not discuss the District Court order denying Respondents' JMOL and new trial motions, made no findings that the trial judge abused his discretion, and gave no deference whatsoever to either the judge's discretion, or the jury's verdict.

The fact of damages was not disputed by the parties before the District Court. In fact, Walgreen's' own experts had testified in both trials that damages had occurred. The only dispute was over the amount of damages about which the parties presented conflicting evidence. The jury found the facts and resolved the dispute. But the Federal Circuit had a different opinion.

III.

The Decision below Did not Follow the Law of the Tenth Circuit on the Standard to Be Used in Appellate Review of Denials of Motions for JMOL on an Area of Law Outside the Federal Circuit's Jurisdiction and a Writ of Certiorari Is Necessary to Correct this Error.

Tenth Circuit law on the standards to be applied on review of a JNOV (now JMOL) is clear:

> A JNOV is appropriate only if "the evidence points but one way and is susceptible to no reasonable inference which may sustain the position of [the nonmoving plaintiff]." (citing, *Symons v. Mueller Co.*, 493 F.2d 972, 976 (10th Cir.1974)).

Devery Implement Co. v. J.I. Case Co., 944 F.2d 724, 729 (10th Cir. 1991)

In considering the propriety of granting a directed verdict, the court may not weigh the evidence or make credibility determinations. *Hurd v. American Hoist and Derrick Co.*, 734 F.2d 495, 498-99 (10th Cir. 1984). The court may not weigh the evidence or pass upon the witnesses' credibility, or substitute its judgment for that of the jury and "the question is not whether there is literally no evidence supporting the party against whom the motion is directed but whether there is evidence upon which the jury could properly find a verdict for the party." *Id.*

The underlying philosophy is one of minimizing interference with the jury. *Yazzie v. Sullivent*, 561 F.2d 183, 188 (10th Cir. 1977). Thus the reviewing court is not at liberty to set aside the jury verdict merely because the reviewing judges feel that the opposite result seems more reasonable. *Thompson v. Kerr-McGee Refining Corp.*, 660 F.2d 1380, 1389-90 (10th Cir. 1981); *Frank v. Bloom*, 634 F.2d 1245, 1254 (10th Cir. 1980).

Since the grant of such a motion deprives the non-moving party of a determination of the facts by a jury, judgment notwithstanding the verdict should be cautiously and sparingly granted. *Joyce v. Atlantic Richfield Co.*, 651 F.2d 676, 680 (10th Cir. 1981). If the evidence and inferences considered in such manner would permit reasonable men in the exercise of fair and impartial judgment to reach different conclusions respecting the critical issue, the motion should be denied. *Stringer v. Dilger*, 313 F.2d 536 (10th Cir. 1963).

Additionally, *State Office Systems v. Olivetti Corp. of America*, 762 F.2d 843 (10th Cir. 1985), establishes the governing law on a review of expert and other testimony to establish lost profit damages in the circuit where this case was tried. It also shows that the trial judge acted properly in denying the Respondents' motions. The Federal Circuit has improperly disregarded the law of the circuit in reversing the jury verdicts.

IV.

The Procedure used by the Federal Circuit to Review the Jury Verdict Is Fundamentally Flawed, Fails to Follow this Court's Decisions by Conducting *De Novo* Fact Re-Examinations of Jury Verdicts, Grossly Misstates Evidence, Fails to Accord Any Deference to the Fact Determinations of the Jury and Fails to Accord Any Deference to the Evidence Review Decision of the Trial Court, Made Arbitrary Independent Fact Findings Without a Complete Record, and is Inconsistent with a Prior Decision of the Federal Circuit on the Same Case and a Writ of Certiorari Is Necessary to Correct this Error.

In no way did the Federal Circuit determine that findings denying the JMOL or new trial motion were an abuse of discretion. Instead, the Federal Circuit simply substituted its own interpretation of the evidence based upon a record which at best gives an out of context view of the evidence. The impropriety of the Federal Circuit's characterization of its mandate upon review of JMOL or denial of a new trial motion is underscored by the fact that by its own rules, the Federal Circuit does not and cannot review complete record or the "evidence as a

whole". The record submitted on appeal is severely limited by the rules of the Federal Circuit.[2] Appellees are barred from presenting all the trial evidence. They may only attach isolated pages and exhibits to which they specifically cite in their limited brief. This is a major reduction from the record allowed by Rule 30(a)(4) of the Federal Rules of Appellate Procedure.[3] Because appellate briefs are limited in length, not every potentially relevant piece of evidence from a long and complex trial can be recited and referenced; only those believed at the time to be most important remain after the brief is finally revised and reduced to fit the strict briefing limits of the Federal Circuit. In contrast, the District Court has the benefit of actually hearing and seeing all the witnesses and exhibits. The Federal Circuit under the best circumstances, cannot fully understand the evidence so as to determine credibility and weight. The Federal Circuit has imposed restrictions on what can be presented to it so as to guarantee that it will not be burdened with the entire record or even relevant parts of the record that are not specifically cited in the briefs. Under these conditions, it is

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[2] F. Cir. R. 30(a)(2) prohibits submission in an appendix of any pages of the transcript which are not expressly cited in the briefs. "CONTENTS; INDISCRIMINATE REFERENCING TO BLOCKS OF THE RECORD PROHIBITED:. . . . Parts of the record authorized by Rule 30(a)(4) of the Federal Rules of Appellate Procedure *may not be included* in the appendix *unless they are actually referenced* in the briefs. Indiscriminate referencing in the brief to blocks of record pages and *inclusion* in the appendix *of pages not required to be referenced* are prohibited . . . " [Emphasis supplied.]

[3] F. R. App. P. 30(a)(4) provides that the Appendix on appeal may include "any other parts of the record to which the parties wish to direct the particular attention of the court."

impossible for the Federal Circuit to have done the re-examination they claimed to have done.

The Federal Circuit has arrogated to itself the right to review the entire record *de novo* and claims knowledge and wisdom beyond that of the jury and judge who actually heard all the witnesses and reviewed all the exhibits. However, there is no possibility that a transcript in the thousands of pages with exhibits numbering in the hundreds can be fully "actually referenced" in a brief which is limited to fifty pages.[4]

For the Federal Circuit to limit the trial record it will allow an appellee to submit to it and then claim to be reviewing the entire record as it re-examines the case is a gross denial of due process. It presents appellees a potential no-win situation in which they are required to re-present and re-argue in fifty pages an entire complex trial which took many days to present. Such a process is fundamentally unfair and unworkable. It also shifts the burden from the appellant (who should be obligated to show why the verdict should be set aside) to an appellee who now must re-try its case before the Federal Circuit in a forced abbreviated fashion. This re-run of the trial in "hobble skirts" exemplifies why the Seventh Amendment wisely prohibits re-examination of facts by an appellate court and why only district judges's have the right to review all the evidence for sufficiency, subject only to a cross check for abuse of discretion.

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[4] F. Cir. R. 28(c) ". . . . Principal briefs may not exceed 50 pages in length. . . . "

The Federal Circuit in this case so miscomprehended the evidence that its opinion claimed that facts were different than actually shown in the record, even the truncated, cold paper record available to it. The Federal Circuit misunderstood what evidence was presented, claimed that matters were proven which were not shown by any evidence, contradicted evidence in the record by claiming it was not presented, and determined disputed issues of fact bearing on the amount of damages. How this happened in a system dedicated to a rule of law – not man – is difficult to discern but the fact of it occurring highlights the dangers of appellate courts taking upon themselves functions which they are neither entitled nor equipped to perform. It is for this reason that the Seventh Amendment's re-examination clause exists. It is to prevent this that *Gasparini* established careful limits on appellate review of allegedly excessive jury awards and why the only proper standard for an appellate court to apply is an abuse of discretion standard considering the trial court's review of the evidence.

The Federal Circuit's opinion here did not find that the district court abused its discretion in denying the Respondents' motions for new trial or motion for a JMOL. The opinion did not find that evidence to support the verdict was not presented. The opinion did not find that the evidence was inadmissible, the Federal Circuit did not even criticize the admission of expert testimony under *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579, 113 S.Ct. 2786 (1993). The Federal Circuit simply declared virtually all the evidence "speculative" by determining what was and was not "credible," "reliable,"

"accurate," etc. in order to justify disregarding the verdict.

The Federal Circuit has reviewed this case twice on appeal and has reached completely inconsistent results because it capriciously engages in its own fact finding in violation of the Seventh Amendment. In the first trial of this case in 1991, the jury found willful infringement and awarded a total of $300,000 in damages for lost profits in three distinct markets and the trial court trebled the damages award. In its first appellate decision the Federal Circuit stated "[t]his court reviews the jury's findings for reasonableness under the substantial evidence standard of review" A 20. From its review of the evidence on that occasion, the Federal Circuit found no substantial evidence supported only a $300,000 damages verdict for all three markets in light of evidence presented by Oiness of over $22 million in actual damages and in light of Walgreen's' own witnesses having admitted to damages, A 21. The opinion suggested that the jury instructions were confusing and remanded for a new trial on damages. The remand was certainly because the Federal Circuit thought the damage award was too small; if it found it too large, a remittitur could have been ordered; if damages were unfounded, as suggested by the second opinion, then a new trial would not have been ordered.

In the second trial of this case in 1994, the jury awarded $11,251,240 in damages. The jury returned special verdicts for each of the markets involved. Walgreen moved for JMOL or alternatively for a new trial claiming the award was excessive. The judge denied both motions, finding substantial evidence to support the award. In the

second appeal, the Federal Circuit reversed the jury verdicts on damages but remanded for retrial only on the issue of actual damages with a suggested remittitur of $220,567. Verdicts for damages for lost profits in the retail, premium and advertising specialty markets were simply reversed. In essence, the Federal Circuit has taken the jury determinations that Oiness would have profited $1.4 million in the retail market, $750,000 in the premium incentive market, and $8 million in the advertising specialty market, and substituted its own determination of $0 in damages in each of these markets. A more dramatic and inconsistent re-examination of the facts tried by the jury could not have occurred.

These two radically different treatments of the evidence by the Federal Circuit show that it improperly engages in its own separate fact finding and has abandoned its proper appellate function. The Federal Circuit appears to give no deference to the fact finding and damage setting function of a jury and accords no deference to the review process of the district court. Instead, the Federal Circuit re-examines contested facts and makes new determinations of damages based upon its own predilections. The Federal Circuit takes such an ad hoc approach to fact finding that it is not even consistent in results with two reviews of the same case. The Federal Circuit approach evidences a hostility to the jury system which is not permitted by the Seventh Amendment or this Court's decisions on proper appellate review. This case shows that the Federal Circuit is confused in its own process. Not only did the Federal Circuit come to inconsistent factual positions in the two appeals of this case but it took completely inconsistent action, exceeding its

appellate authority by simply striking down jury findings with which it disagrees, then denying a right to retrial on the major damage claims. This shows that the Federal Circuit actually substitutes its own fact finding for the fact finding of the jury.

This Federal Circuit decision violates Article I, Section 8 of the Constitution by discouraging rather than "promote[ing] the progress of science and the useful arts" because it allows wilful patent infringers to avoid significant damages a jury has determined should be paid. This is a direct result of the Federal Circuit re-examining facts found by a jury in violation of the Seventh Amendment.

CONCLUSION

The Writ of Certiorari requested here to review the judgment of the United States Court of Appeals for the Federal Circuit should be granted to resolve a conflict between the decisions of this Court and the Federal Circuit on the scope of appellate review of jury verdicts for damages and the standard to be applied in that review process. The Writ should be granted to correct a clear departure from the mandates of the re-examination clause of the Seventh Amendment evidenced by this case and a clear pattern of the Federal Circuit in disregarding juries' factual determinations and trial judges' review of the process. The Federal Circuit has improperly taken on

the function of jury and judge, and has abandoned its proper role as an appellate court.

Respectfully submitted,

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